

Via Email and US Mail

October 29, 2010

S.J. Ferguson
Captain, U.S. Coast Guard
Federal On-Scene Coordinator
1519 Alaskan Way South, Building 4
Seattle, WA 98134-1192

RE: Administrative Order for Pollution Incident, Bremerton, Washington

Dear Captain Ferguson:

This letter provides Cascade Natural Gas Corporation's ("Cascade") formal response to the Administrative Order for a Pollution Incident ("AO") issued by the U.S. Coast Guard ("USCG") under Section 106 of the Comprehensive Environmental Response, Compensation, and Liability Act. The AO is dated October 20, 2010, and was served on Cascade on October 27, 2010.

As directed by the USCG, Cascade will conduct the time critical removal action (the "Removal Action") described in the Anchor QEA Work Plan for the Former Bremerton MGP Site ("Work Plan"), as finally approved by the USCG and the Unified Command. As you know, Cascade commenced work relating to the Removal Action on October 19, 2010, immediately after its first meeting with the Unified Command. Cascade continues work in preparation for the Removal Action. Cascade will conduct the Removal Action according to the Work Plan and the schedule provided in the Work Plan. The current schedule calls for mobilization of equipment to begin next week and for the pipe plugging, pipe removal, sediment removal, and sediment capping activities to commence the week following.

Cascade is undertaking the Removal Action as directed by the USCG and in recognition of the time critical nature of the situation. However, Cascade does not admit liability. Nor does Cascade admit any factual allegations in the AO.

Cascade understands the Removal Action outlined in the Work Plan is necessary and is consistent with the National Contingency Plan. Cascade further understands that the USCG, through the Unified Command, is coordinating with federal, state and local agencies on best management practices and other measures necessary to meet the substantive requirements of applicable or relevant and appropriate requirements, and that such measures will be incorporated into the approved Work Plan. Finally, Cascade understands that its completion of the work described in the Work Plan will stabilize the site and will fully satisfy the requirements of the AO. Any subsequent removal or remedial action at the site will be conducted under the oversight of the U.S. Environmental Protection Agency.

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Please do not hesitate to contact me with any questions.

Sincerely,

CASCADE NATURAL GAS CORPORATION

K. Frank Morehouse by ASH

K. Frank Morehouse

Executive Vice President and General Manager

cc: Danielle Wood, USCG
Kathy Parker, EPA
Elizabeth McKenna, EPA
Abbie Krebsbach, Cascade
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